



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 10, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

HORIZONS' DELAWARE INTERNATIONAL VALUE EQUITY FUND TO PROHIBIT NEW CONTRIBUTIONS, EFFECTIVE JUNE 14, 2004

The Horizons Plan Administrative Committee (PAC) is responsible for selecting and monitoring the funds that are made available as investment options to Plan participants. The PAC is also authorized to prescribe procedures for the timing and manner in which participants are permitted to make investment elections under the Plan. As you may know, in order to address the excessive trading and market timing concerns raised by the mutual fund managers who have contracts with the Plan, last year the PAC authorized implementation of a 90-day round-trip trading restriction for the international asset class. In addition, the PAC increased its educational outreach to all participants emphasizing the negative impact on the funds and the Plan of excessive trading and market timing. The Delaware International Value Equity Fund (Delaware Fund) which is managed by Delaware International Advisors, Ltd. is one of the international funds in the Plan that is subject to the 90-day-round-trip trading restriction.

Despite these efforts to eliminate excessive trading and market-timing activity within the Horizons Plan, there are still participants who are engaging in trading activities that the fund managers have determined constitute market timing and a violation of the trading guidelines in their prospectuses. Just such market timing by some Plan participants was detected recently by the Delaware Fund. ***In response to this continued abusive trading by certain Plan participants, the Delaware Fund notified the PAC on June 2 that it intends to cease accepting all new contributions (including trades and payroll deferrals) into the Delaware Fund, effective June 14, 2004.*** Participants who have assets in the Delaware Fund after June 14, 2004, may remain invested in the Fund and trade-out at anytime; however, no new contributions may be made to the Fund after June 14, 2004. Because the Delaware Fund managers fear that they will be the subject of SEC regulatory action if they are perceived as permitting the abusive trading practices to continue, they have imposed this extreme restriction on the Plan as permitted by their prospectus. Therefore, as a consequence of the abusive trading practices of some Plan participants, the ability of all Horizons participants to invest new money into the Fund soon will be eliminated.

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The County has directed the Plans' investment consultants to propose to the Delaware Fund an alternate course of action that would be mutually beneficial to both the Fund and Plan participants. Discussions are ongoing and will continue until this situation is resolved.

The PAC will convene a special meeting to address the Delaware Fund situation and discuss the potential implementation of additional measures to protect the viability of the Horizons investment options from the actions of market timers. Participants will be notified of any further developments and any decisions made by the PAC related to the Delaware Fund and additional trading restrictions.

We will continue to monitor the situation and will inform you of any further developments, including the outcome of the PAC Special Meeting.

If you have any questions, please call me or your staff may contact David Turla of my office at (213) 893-2377.

DEJ:WGL
DT:mj